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UNCLAS SECTION 01 OF 07 KINGSTON 002333

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STATE FOR WHA/CAR/ (WBENT), WHA/EPSC (JSLATTERY)

SANTO DOMINGO FOR FCS AND FAS

TREASURY FOR L LAMONICA

E.O. 12958: NA

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SUBJECT: USITC BIENNIAL CARIBBEAN BASIN INVESTMENT SURVEY

REF A: STATE 087702

B: 03 KINGSTON 141419

C: KINGSTON 146213

(U) This cable is Sensitive But Unclassified. Please protect accordingly.

(U) Note: The deadline for this information was set for June 30, 2005. However, post did not receive the original cable tasking because it had been addressed to Central American Collective, which Kingston does not receive. End note.

1. (U) The U.S. continues to be Jamaica's largest trading partner, accounting for 40 percent of all merchandise trade with the island between 2002 and 2004. Although Jamaica's share of trade with the U.S. has stabilized, the island's balance of trade (exports minus imports) with the U.S. has continued to widen. Historically, the worsening trade balance was driven by imports growth, but in recent years the deterioration has been due to a combination of higher imports and anemic exports growth in general and waning apparel exports in particular. Apparel earnings amounted to a mere USD 10.4 million at the end of 2004, signaling the death of the once vibrant sector. Apparel exports, which benefited significantly from the Caribbean Basin Initiative (CBI), rose from a low of USD 83 million in 1990 to peak at USD 288 million in 1995. The buoyancy in apparel earnings stimulated an expansion in non-traditional export earnings, which recorded annual average growth of 15 percent over the period. However, by 1996 apparel earnings began to decline, reflecting rising competition from Mexico following the implementation of NAFTA. Jamaica's challenging macroeconomic environment, characterized by high interest rates, exchange rate instability and high labor and utility costs, accelerated the deterioration of the sector (apparel earnings declined on average by 27 percent between 1996 and 2004).

2. The demise of the apparel sector influenced a contraction in non-traditional exports, which moved from a high of USD 478 million in 1995 to USD 283.3 million at the end of 2004. Despite this decline, food, beverages, tobacco and chemicals all showed signs of resilience during 2004. These products are expected to contribute most of the growth in non-traditional exports during 2005. However, efforts to diversify the island's export and production base will be dealt a further blow in 2006, as the last remaining tobacco producer, Carreras Group, is set to shift production operations to lower cost Trinidad and Tobago. The apparel sector could also disappear over the next three months, as most of the few remaining firms either ceased operations or relocated to lower cost destinations during early 2005. Therefore, while the CBERA/CBTPA will remain necessary for Jamaican exporters of non-traditional products to remain afloat, it will not be sufficient for these producers to remain competitive. The usefulness of the program will therefore hinge on GOJ'S ability to make the structural adjustments (labor market, customs, securities and utilities) necessary for exporters to improve their competitiveness.

3. (SBU) Begin Report: Answers are keyed to question format contained in Ref A. The SBU classification is assigned solely because of the business confidential contents contained in the report.

4A. Data on CBERA-related investment activity during 2004 by sector.

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Beverages & Tobacco  
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- a. Name of Company - Red Stripe
- b. Investment in 2004 - USD 12 million
- c. New or expansion investment - 40 percent new and 60 percent expansion
- d. Located in free trade zone - No

- e. Types of products exported - Brewed beverages
- f. Estimated value of exports to the U.S. - USD 22 million
- g. Would project have been launched in the absence of CBERA/CBTPA preferences - Yes
- h. Approximate share of inputs from CBERA beneficiary origin - 10 percent

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Chemicals

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- a. Name of Company - Petrojam Ethanol
  - b. Investment in 2004 - USD 10.5 million
  - c. New or expansion investment - Expansion to upgrade process technology
  - d. Located in free trade zone - No, but applying for free zone status
  - e. Types of products exported - Anhydrous ethanol or fuel ethanol
  - f. Estimated value of exports to the U.S. - About USD 50 million
  - g. Would project have been launched in the absence of CBERA/CBTPA preferences - No
  - h. Approximate share of inputs from CBERA beneficiary origin - None

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Fresh Produce

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- a. Name of Company - Trout Hall
  - b. Investment in 2004 - USD 39,000
  - c. New or expansion investment - Expansion
  - d. Located in free trade zone - No
  - e. Types of products exported - Citrus (UGLI Tangelos and lime)
  - f. Estimated value of exports to the U.S. - USD 600,000
  - g. Would project have been launched in the absence of CBERA/CBTPA preferences - Unlikely
  - h. Approximate share of inputs from CBERA beneficiary origin - 50 percent

- a. Name of Company - Jamaica Agricultural Development Foundation
- b. Investment in 2004 - USD 110,000
- c. New or expansion investment - expansion
- d. Located in free trade zone - No
- e. Types of products exported - Cotton lint
- f. Estimated value of exports to the U.S. - Zero
- g. Would project have been launched in the absence of CBERA/CBTPA preferences - Yes
- h. Approximate share of inputs from CBERA beneficiary origin - 70 percent

- a. Name of Company - Jamaica Export Trading Company
- b. Investment in 2004 - Zero
- c. New or expansion investment - N/A
- d. Located in free trade zone - No
- e. Types of products exported - Fresh and processed foods, pimento, ground calcium carbonate and crafts products
- f. Estimated value of exports to the U.S. - USD 213,000
- g. Would project have been launched in the absence of CBERA/CBTPA preferences - Yes
- h. Approximate share of inputs from CBERA beneficiary origin - None

- a. Name of Company - Grace Foods International
- b. Investment in 2004 - USD 1.8 million
- c. New or expansion investment - Expansion
- d. Located in free trade zone - No
- e. Types of products exported - Processed foods
- f. Estimated value of exports to the U.S. - USD 6.5 million
- g. Would project have been launched in the absence of CBERA/CBTPA preferences - Yes
- h. Approximate share of inputs from CBERA beneficiary origin - 10 to 15 percent

- a. Name of Company - Belle Tropicals
- b. Investment in 2004 - USD 246,000
- c. New or expansion investment - Expansion
- d. Located in free trade zone - No
- e. Types of products exported - Yams, dasheens, pumpkins, peppers and processed foods such as ackees and callaloo, cassava bammies and spice buns
- f. Estimated value of exports to the U.S. - USD 940,000
- g. Would project have been launched in the absence of CBERA/CBTPA preferences - No
- h. Approximate share of inputs from CBERA beneficiary origin - 10 percent

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Furniture & Craft

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- a. Name of Company - Jamaica Fibreglass Products
  - b. Investment in 2004 - USD 150,000
  - c. New or expansion investment - Expansion

- d. Located in free trade zone - No
- e. Types of products exported - Restaurant furniture
- f. Estimated value of exports to the U.S. - Zero
- g. Would project have been launched in the absence of CBERA/CBTPA preferences - No
- h. Approximate share of inputs from CBERA beneficiary origin - 90 percent

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Other Manufactured Products  
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- a. Name of Company - West Indies Synthetics
- b. Investment in 2004 - USD 400 million
- c. New or expansion investment - Expansion
- d. Located in free trade zone - No
- e. Types of products exported - Styrofoam plates, take out boxes and drinking straws
- f. Estimated value of exports to the U.S. - USD 500,000
- g. Would project have been launched in the absence of CBERA/CBTPA preferences - Yes
- h. Approximate share of inputs from CBERA beneficiary origin - 40 percent

- a. Name of Company - Jalex Manufacturing
- b. Investment in 2004 - USD 350,000
- c. New or expansion investment - New
- d. Located in free trade zone - No
- e. Types of products exported - Scrap
- f. Estimated value of exports to the U.S. - USD 273,000
- g. Would project have been launched in the absence of CBERA/CBTPA preferences - Yes
- h. Approximate share of inputs from CBERA beneficiary origin - None

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Pharmaceuticals/Cosmetics & Personal Care Products  
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- a. Name of Company - Starfish Oil
- b. Investment in 2004 - USD 33,000
- c. New or expansion investment - New and expansion
- d. Located in free trade zone - No
- e. Types of products exported - Scented candles, aromatherapy oils and soaps, bath salts and incense
- f. Estimated value of exports to the U.S. - USD 400,000
- g. Would project have been launched in the absence of CBERA/CBTPA preferences - No
- h. Approximate share of inputs from CBERA beneficiary origin - 40 percent

- a. Name of Company - P.A. Benjamin Manufacturing Company
- b. Investment in 2004 - USD 250,000
- c. New or expansion investment - Expansion
- d. Located in free trade zone - No
- e. Types of products exported - Pharmaceuticals (health care) and food flavorings
- f. Estimated value of exports to the U.S. - USD 305,000
- g. Would project have been launched in the absence of CBERA/CBTPA preferences - Yes
- h. Approximate share of inputs from CBERA beneficiary origin - 30 percent

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Processed Foods  
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- a. Name of Company - Gray's Pepper Products
- b. Investment in 2004 - Zero
- c. New or expansion investment - N/A
- d. Located in free trade zone - No
- e. Types of products exported - sauces with pepper base
- f. Estimated value of exports to the U.S. - USD 500,000
- g. Would project have been launched in the absence of CBERA/CBTPA preferences - Yes
- h. Approximate share of inputs from CBERA beneficiary origin - 50 percent

- a. Name of Company - Jamaica Cane Products Sales
- b. Investment in 2004 - USD 1.6 million
- c. New or expansion investment - N/A
- d. Located in free trade zone - No
- e. Types of products exported - Raw sugar
- f. Estimated value of exports to the U.S. - USD 4.98 million
- g. Would project have been launched in the absence of CBERA/CBTPA preferences - No
- h. Approximate share of inputs from CBERA beneficiary origin - None

- a. Name of Company - Betapac
- b. Investment in 2004 - USD 10,000
- c. New or expansion investment - Expansion
- d. Located in free trade zone - No
- e. Types of products exported - Curry powder
- f. Estimated value of exports to the U.S. - USD 110,000
- g. Would project have been launched in the absence of CBERA/CBTPA preferences - Yes
- h. Approximate share of inputs from CBERA beneficiary

origin - 20 percent

- a. Name of Company - National Baking Company
- b. Investment in 2004 - USD 1.2 million
- c. New or expansion investment - New and expansion
- d. Located in free trade zone - No
- e. Types of products exported - Buns and biscuits
- f. Estimated value of exports to the U.S. - USD 800,000
- g. Would project have been launched in the absence of CBERA/CBTPA preferences - Yes
- h. Approximate share of inputs from CBERA beneficiary origin - 25 percent

- a. Name of Company - Shim Successors
- b. Investment in 2004 - Zero
- c. New or expansion investment - N/A
- d. Located in free trade zone - Yes
- e. Types of products exported - Fruit syrup
- f. Estimated value of exports to the U.S. - USD 40,000
- g. Would project have been launched in the absence of CBERA/CBTPA preferences - No
- h. Approximate share of inputs from CBERA beneficiary origin - 74 percent

- a. Name of Company - Nestle Jamaica
- b. Investment in 2004 - USD 905,000
- c. New or expansion investment - New and expansion
- d. Located in free trade zone - No
- e. Types of products exported - Milk-based products
- f. Estimated value of exports to the U.S. - USD 1.5 million
- g. Would project have been launched in the absence of CBERA/CBTPA preferences - Yes
- h. Approximate share of inputs from CBERA beneficiary origin - 45 percent

- a. Name of Company - JABEXCO
- b. Investment in 2004 - Zero
- c. New or expansion investment - N/A
- d. Located in free trade zone - No
- e. Types of products exported - Tilapia fish, chicken and beef
- f. Estimated value of exports to the U.S. - USD 237,000
- g. Would project have been launched in the absence of CBERA/CBTPA preferences - Yes
- h. Approximate share of inputs from CBERA beneficiary origin - 70 percent

- a. Name of Company - Jamaica Standard Products
- b. Investment in 2004 - USD 350,000
- c. New or expansion investment - New
- d. Located in free trade zone - No
- e. Types of products exported - Green and roasted coffee and sauces and spices
- f. Estimated value of exports to the U.S. - USD 700,000
- g. Would project have been launched in the absence of CBERA/CBTPA preferences - No
- h. Approximate share of inputs from CBERA beneficiary origin - 20 to 25 percent

- a. Name of Company - Salada Foods Jamaica
- b. Investment in 2004 - Zero
- c. New or expansion investment - N/A
- d. Located in free trade zone - No
- e. Types of products exported - Instant coffee and peppermint tea
- f. Estimated value of exports to the U.S. - USD 170,000
- g. Would project have been launched in the absence of CBERA/CBTPA preferences - N/A
- h. Approximate share of inputs from CBERA beneficiary origin - 10 percent

- a. Name of Company - Coffee Industries
- b. Investment in 2004 - USD 50,000
- c. New or expansion investment - Expansion
- d. Located in free trade zone - No
- e. Types of products exported - Roasted coffee beans
- f. Estimated value of exports to the U.S. - USD 771,000
- g. Would project have been launched in the absence of CBERA/CBTPA preferences - Yes
- h. Approximate share of inputs from CBERA beneficiary origin - 50 percent

- a. Name of Company - Central Food Packers
- b. Investment in 2004 - Zero
- c. New or expansion investment - N/A
- d. Located in free trade zone - No
- e. Types of products exported - Bammies, jerk and pepper sauces, jerk seasonings, solomon gundy, roots wine, canned ackee and callaloo
- f. Estimated value of exports to the U.S. - USD 500,000
- g. Would project have been launched in the absence of CBERA/CBTPA preferences - No
- h. Approximate share of inputs from CBERA beneficiary origin - 5 percent

- a. Name of Company - Walkerswood Caribbean Foods
- b. Investment in 2004 - USD 2.8 million
- c. New or expansion investment - New
- d. Located in free trade zone - No
- e. Types of products exported - Seasonings, sauces, preserves and condiments
- f. Estimated value of exports to the U.S. - USD 2.7 million
- g. Would project have been launched in the absence of CBERA/CBTPA preferences - Yes
- h. Approximate share of inputs from CBERA beneficiary origin - 70 percent

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Comments On Survey  
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3B. (SBU) Similar to 2003, most Jamaican exporters remain unaware of the content and by extension importance of the CBERA. Of the almost 50 exporters contacted, only three were familiar with the details of the program. This combined with the devastating effects of Hurricane Ivan could explain why exporters were apathetic toward the current survey. Jamaica Floral Exports, which reported expansion investment of USD 35,000 and exports of USD 24,000 in 2002, left the export business due to the impact of Hurricanes Ivan, Dennis and Emily on its operations. Managing Director Maurice Facey, who also has majority stake in two large publicly traded companies, told emboff that the three hurricanes destroyed about 14 acres of his greenhouse production. He said the horticulture business would require a cash injection of about USD 200,000 to resume exporting. However, Facey has taken a decision to concentrate on the domestic market. General Manager of Jamaica Standard Products John Minott told emboff that Ivan destroyed a portion of his coffee plants, which will affect production and exports for the next two years. The Managing Directors of Gray's Pepper and Belle Tropicals also told emboff that there was a reduction in exports during 2004, due to lower levels of domestic production following the hurricane. Chief Executive Officer of Jalex Manufacturing K. Rajashekhar said that while he is able to sell scrap, which is in high demand in the U.S., his company has been unable to sell aluminum extrusions, its main product. According to Rajashekhar, "if we were to sell aluminum extrusions then we could talk about CBERA/CBPTA preferences."

14. (U) B. Foreign Direct Investment in 2004 (USD Million)

Agriculture/Manufacturing/Distribution	43.5
Information Technology/Communication	17.9
Minerals and Chemicals	9.8
Insurance	10.2
Tourism	114.6
Mining	57.3
Other	170.2
Sub-total	423.6
Retained Earnings	178.0
TOTAL	601.6

Source: Bank of Jamaica

(SBU) After registering record FDI flows of USD 721 million in 2003, total FDI to Jamaica declined by 16.5 percent in 2004 to USD 602 million. Although there has been a steep downturn in FDI to Latin America and the Caribbean, foreign investment to Jamaica has remained relatively high. This allowed the island to win the small countries category at the World Promotion Organization conference in 2003. The organization also ranked Jamaica the highest maximizing FDI destination in the Caribbean and twentieth in the world on a per capita basis. The fall off in FDI in 2004 reflected a return to normality in investment activity in the mining and communications sectors following the completion of major expansion work at two bauxite plants between 2002 and 2003 and by mobile telecommunications companies in 2003. FDI to Jamaica is expected to rebound in 2005, given the surge in tourism investment, particularly from Spanish hotel chains such as RIU, which is opening an 856-room hotel in Ocho Rios in October. In addition, the country will benefit significantly from a USD 1 billion-expansion project being undertaken by Alcoa to expand capacity.

15. (SBU) The Jamaica Trade Board is the agency charged with administering the CBERA/CBTPA programs Jamaica. Certifying Officer of the Trade Board Tanique Brodber told emboff that her unit has not encountered any major problems with administering the programs. She also said that exporters did not register any dissatisfaction with regard to the 35 percent value added criterion. Brodber said that during 2004 over 1,100 certificates were validated under CBTPA, down from 1,655 in 2003. Almost 600 exporters applied for CBI certification in 2004, up from 516 in 2003. She attributed the steep decline in certification under the CBTPA to the demise of the

textiles and apparel industry. Although enhanced preferences have not helped in saving the apparel and textiles sector, they remain significant for exporters of other non-traditional exporters of beverages, fresh produce, processed foods and light manufactures.

16. (SBU) JAMPRO (Jamaica's trade promotion agency) officials told emboff that while it may be argued that the U.S. has implemented a number of trade regulations that often operate as obstacles to market access, facilities such as the CBI go a long way toward diversifying exports. According to Cheronne Ellis of the Corporate Affairs Office of JAMPRO, "exporters ought to more fully avail themselves of this duty-free benefit. The preferences once afforded to ACP countries are being eroded and unilateral benefits are fast coming to an end." Ellis said it would therefore be wise for Jamaican exporters to make full use of the beneficial arrangements provided by the world's largest trading partner.

17. (SBU) Ellis pointed out that while Jamaica's exports to the U.S. between 1999 and 2003 fell by 11 percent there is a strong possibility that this trend will be reversed. She said that Jamaica's total exports of USD 529 million in 2003 could be doubled to reflect the indicative potential trade (i.e. - the total amount of exports the U.S. could absorb from Jamaica) of USD 1.1 billion. Ellis said that three products (ethnic and specialty foods, essential oils and seafood) have grown in importance since 1999, with the first two exceeding their predicted indicative potential trade. This could indicate that these products were benefiting from CBERA and the indicative potential trade figures might need to be revised to reflect the ballooning trade trends of these products. She said that JAMPRO is implementing a certification mechanism for meat and poultry products to enter the U.S., a move expected to broaden the non-traditional export base and further diversify the economy away from traditional agriculture.

18. (SBU) In addressing the moribund state of Jamaica's exports, President of the Jamaica Exporters' Association Andre Gordon said that the country needed to embark on a strategy to expand its export base. He said that producers must move away from bulk generic production of traditional products towards brand emphasis, much like Jamaican rum and coffee exporters have done. Gordon also stated that the country had to identify growing international markets in a bid to exploit any opportunity that might arise. He said there were clear opportunities for products such as beverages, which grew by almost 50 percent in 2004 (albeit from a small base), and agro-processed foods. Keith Collister of the Private Sector Organization of Jamaica also told emboff that Jamaica's over-valued currency and waning apparel sector were largely responsible for poor export growth. He suggested that the island had to invest in research and development, while at the same time establishing more efficient distribution channels. Collister also told emboff that the island had to move from producing samples of non-traditional products to large-scale production and learn to "export or die".

TIGHE